

COVER FOR

/FMD-84-48

124124



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-197710

To The President of the Senate and the
Speaker of the House of Representatives

This report presents our adverse opinion on the financial statements of the Export-Import Bank of the United States (Eximbank) for the year ended September 30, 1983. We made our examination pursuant to the provisions of 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

Eximbank is a wholly owned Government corporation. Its purpose is to aid in financing and facilitating U.S. exports.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, and the board of directors of Eximbank.

Charles A. Bowser
Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON D.C. 20548

B-199710

To the Board of Directors
Export-Import Bank of the United States

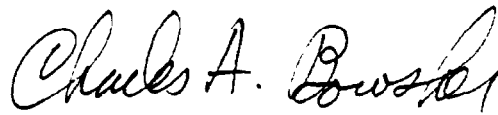
We have examined the statement of financial condition of the Export-Import Bank of the United States (Eximbank) as of September 30, 1983, the related statement of income (loss) and reserve for contingencies and defaults, and the statement of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Eximbank's assets include a significant amount of loans which are in arrears, under reschedulings, or outstanding to countries experiencing financial difficulties. Eximbank reported a net loss in its fiscal year 1983 financial statements of \$247 million. These financial statements do not include any deduction from revenues and assets for estimated losses that are likely to be sustained due to the uncollectibility of the loans Eximbank has made. Eximbank has not developed an estimate of such an allowance for potential loan losses; the entire accumulated net income (equity) of Eximbank has been classified as a "reserve for contingencies and defaults" in the financial statements.¹ In our opinion, an allowance for estimated loan losses should be deducted from revenues and assets in order to conform with generally accepted accounting principles. If such an allowance for estimated loan losses had been deducted, we estimate that total assets, and accumulated income since inception would be decreased by \$1.0 to \$1.5 billion.² This would result in an accumulated income of between \$0.3 and \$0.8 billion as of September 30, 1983, instead of the accumulated income of \$1.8 billion (Reserve for Contingencies and Defaults) as shown in the accompanying fiscal year 1983 financial statements.

¹See Note 7 to Eximbank's financial statements in appendix III of this report for Eximbank's reason for not estimating an allowance for loan losses.

²GAO's estimate of the loan loss allowance of between \$1.0 and \$1.5 billion was based on several factors, including Eximbank

In our opinion, because of the materiality of the effect of not deducting an allowance for loan losses from revenues and assets as described above, the accompanying financial statements do not present fairly the financial position of Eximbank as of September 30, 1983, or the results of its operations and changes in its financial position for the year then ended in conformity with generally accepted accounting principles.



Comptroller General
of the United States

²staff's guidelines for categorizing loans for management purposes, the need for a loan loss reserve as reflected in the new Allocated Transfer Risk Reserve (ATRR) requirements promulgated by the Comptroller of the Currency (12 CFR 20), and international debt and country risk assessments published by a variety of researchers. The lower boundary of GAO's estimate provides a 100-percent allowance for repudiated debt and debt with a remote probability of repayment. The upper boundary of the estimate includes an additional amount for loans to countries that are experiencing severe economic and debt repayment difficulties. Allowances for potential commercial loan losses were established using reserve factors traditionally applied by auditors and bank examiners.

A p p e n d i x e s

	<u>Page</u>
I Report on internal accounting controls	1
II Report on compliance with laws and regulations	3
III Eximbank's financial statements	
Comparative statement of financial condition	4
Comparative statement of income (loss) and reserve for contingencies and defaults	5
Comparative statement of changes in financial position	6
Notes to financial statements	7

REPORT ON INTERNAL ACCOUNTING CONTROLS

As part of our examination of the financial statements of the Export-Import Bank of the United States (Eximbank) for the year ended September 30, 1983, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- expenditures,
- financial reporting,
- guarantees,
- insurance,
- loans,
- payroll, and
- treasury.

Our study included all of the control categories listed above except that we did not evaluate the accounting controls over all functions within the expenditures, financial reporting, guarantees, insurance, and treasury categories because it was more efficient to expand substantive audit tests. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on Eximbank's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of Eximbank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on Eximbank's system of internal accounting control taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Export-Import Bank of the United States (Eximbank) for the year ended September 30, 1983. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances.

In our opinion, Eximbank complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that Eximbank was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

EXPORT-IMPORT BANK OF THE UNITED STATES
COMPARATIVE STATEMENT OF FINANCIAL CONDITION

	<u>September 30, 1983</u>	<u>September 30, 1982</u>
ASSETS		
Cash in U.S. Treasury and Commercial Banks	\$ 4,900,000	\$ 500,000
Investment in U.S. Securities	111,500,000	-0-
Loans Receivable (Notes 2, 3, 4, 5 and 6):		
Current Loans	14,978,500,000	15,188,500,000
Delinquent Loans	1,904,100,000	1,376,800,000
	<u>16,882,600,000</u>	<u>16,565,300,000</u>
Accrued Interest and Fees Receivable (Note 2):		
Current Interest and Fees	391,000,000	386,500,000
Delinquent Interest	186,000,000	149,000,000
	<u>577,000,000</u>	<u>535,500,000</u>
Other Assets:		
Reposessed Equipment (Note 7)	100,000,000	100,900,000
Due from Private Export Funding Corporation (Note 5)	79,800,000	81,300,000
Due from Foreign Credit Insurance Association	1,100,000	500,000
Other Receivables and Miscellaneous Assets	11,300,000	700,000
	<u>192,200,000</u>	<u>183,400,000</u>
	<u>\$17,768,200,000</u>	<u>\$17,284,700,000</u>
LIABILITIES, CAPITAL AND RESERVE		
Borrowings (Notes 7, 8, and 9):		
Notes Payable to Federal Financing Bank	\$14,675,900,000	\$13,953,900,000
Note Payable to U.S. Treasury	-0-	4,400,000
Note Payable to Private Export Funding Corporation	30,600,000	42,800,000
Certificates of Beneficial Interest Payable	18,400,000	38,500,000
Notes Payable to U.S. Institutions	15,400,000	55,300,000
	<u>14,740,300,000</u>	<u>14,094,900,000</u>
Other Liabilities:		
Accrued Interest Payable	134,900,000	129,400,000
Advances from Private Export Funding Corporation	77,000,000	-0-
Other Credits	23,600,000	20,700,000
	<u>235,500,000</u>	<u>150,100,000</u>
Total Liabilities	14,975,800,000	14,245,000,000
Capital Stock Held by U.S. Treasury (Note 9)	1,000,000,000	1,000,000,000
Reserve for Contingencies and Defaults (Notes 2, 3, 5, 7 and 9)	<u>1,792,400,000</u>	<u>2,039,700,000</u>
	<u>\$17,768,200,000</u>	<u>\$17,284,700,000</u>

The accompanying notes are an integral part of these financial statements.

EXPORT-IMPORT BANK OF THE UNITED STATES

COMPARATIVE STATEMENT OF INCOME (LOSS) AND RESERVE FOR CONTINGENCIES AND DEFAULTS

	Fiscal Year Ended September 30, 1983	Fiscal Year Ended September 30, 1982
REVENUES		
Interest on Loans	\$1,341,500,000	\$1,272,000,000
Commitment Fees	33,200,000	38,600,000
Application Fees	7,500,000	44,400,000
Insurance Premiums and Guarantee Fees	34,600,000	35,600,000
Other Income	6,900,000	6,100,000
Total Revenues	<u>1,423,700,000</u>	<u>1,396,700,000</u>
EXPENSES		
Interest on U.S. Government Borrowings	1,616,800,000	1,461,100,000
Interest on Participation Certificate Borrowings	-0-	4,900,000
Interest on Certificates of Beneficial Interest Borrowings	2,300,000	5,200,000
Interest on U.S. Institutional Borrowings	1,000,000	4,900,000
Interest on Private Export Funding Corporation Borrowing	4,300,000	2,900,000
Administrative Expenses	14,800,000	13,700,000
Repossessed Equipment Writedown (Note 7)	-0-	50,000,000
Claims Paid, net of recoveries (Note 7)	19,700,000	7,700,000
Other Expenses	12,100,000	6,100,000
Total Expenses	<u>1,671,000,000</u>	<u>1,556,500,000</u>
Net Loss (Note 9)	<u>\$ (247,300,000)</u>	<u>\$ (159,800,000)</u>
RESERVE FOR CONTINGENCIES AND DEFAULTS		
Beginning of Fiscal Year	\$2,039,700,000	\$2,199,500,000
Net Loss	<u>(247,300,000)</u>	<u>(159,800,000)</u>
End of Fiscal Year	<u>\$1,792,400,000</u>	<u>\$2,039,700,000</u>

The accompanying notes are an integral part of these financial statements.

EXPORT-IMPORT BANK OF THE UNITED STATES
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fiscal Year Ended <u>September 30, 1983</u>	Fiscal Year Ended <u>September 30, 1982</u>
FUNDS PROVIDED		
Net Income (Loss)	\$ (247,300,000)	\$ (159,800,000)
Borrowings from the Federal Financing Bank (Note 8)	2,225,000,000	3,166,900,000
Borrowings from U.S. Treasury (Note 8)	812,400,000	1,148,800,000
Repayments of Loans Receivable	2,173,600,000	1,717,700,000
Repayments of Loans Purchased Pursuant to Guarantee and Insurance Agreements	11,900,000	13,900,000
Loans Receivable Written Off (Note 7)	5,400,000	31,900,000
Loans Receivable Transferred to Other Assets (Note 7)	-0-	56,800,000
Borrowing from Private Export Funding Corporation	-0-	48,900,000
Sales of Certificates of Beneficial Interest	-0-	3,300,000
Accrued Interest Payable	5,500,000	16,300,000
Other - Net	<u>(7,200,000)</u>	<u>(900,000)</u>
Total Funds Provided	<u>4,979,300,000</u>	<u>6,043,800,000</u>
FUNDS APPLIED		
Loan Disbursements	2,388,100,000	2,525,900,000
Loans Purchased Pursuant to Guarantee and Insurance Agreements	120,000,000	57,300,000
Investment in U.S. Securities	111,500,000	-0-
Accrued Interest and Fees Receivable	41,600,000	131,800,000
Repayments of Federal Financing Bank Borrowings	1,503,100,000	1,622,300,000
Repayments of U.S. Treasury Borrowings	816,800,000	1,163,400,000
Repayments of Private Export Funding Corporation Borrowing	12,200,000	6,100,000
Repayments of U.S. Institutional Borrowings	39,900,000	62,700,000
Redemptions of Certificates of Beneficial Interest	20,100,000	42,600,000
Redemptions of Participation Certificates	-0-	250,000,000
Repossession Equipment (Note 7)	-0-	100,900,000
Loan Disbursements for Private Export Funding Corporation-Net (Note 5)	<u>(78,400,000)</u>	<u>81,000,000</u>
Total Funds Applied	<u>4,974,900,000</u>	<u>6,044,000,000</u>
NET INCREASE (DECREASE) IN FUNDS DURING THE PERIOD		
Cash - Net	<u>\$ 4,400,000</u>	<u>\$ (200,000)</u>

The accompanying notes are an integral part of these financial statements.

EXPORT-IMPORT BANK OF THE UNITED STATES
Notes to Financial Statements

Note 1: Enabling Legislation and Basic Accounting Principles

Eximbank is an independent corporate agency of the United States. The primary legislation governing its operations consists of the Export-Import Bank Act of 1945, as amended through November 10, 1978, and the Government Corporation Control Act.

Eximbank's accounting records are maintained on an accrual basis with the exception of write-offs of loans and payment of claims on guarantees and insurance policies. Loans are written off and charged to income when Eximbank determines that the outstanding principal balance is uncollectable. Interest on delinquent loans receivable is accrued until such time as Eximbank determines on a case-by-case basis that a particular delinquent loan should be nonaccruing. Claims, except for purchases of assets (see footnote 4), are charged to income in the year paid. Later recoveries of amounts written off or of amounts which have been paid as claims are treated as income in the year received. The Eximbank employees are covered by the Civil Service Retirement and Disability Fund. Consequently, Eximbank has the responsibility for withholding 7 percent of each employee's salary and for contributing a matching amount to the fund. The figures in the financial statements are rounded to the nearest one hundred thousand dollars.

The commitment authority of Eximbank under the Export-Import Bank Act to lend, guarantee, and insure is limited to \$40 billion outstanding at any one time. Loans are charged against the \$40 billion limitation at 100 percent of their authorized amount. Guarantees and insurance are charged against the \$40 billion limitation at not less than 25 percent of Eximbank's contractual liability, with the proviso that the aggregate amount of guarantees and insurance so charged may not exceed \$25 billion outstanding at any one time. Thus, Eximbank's contractual commitments outstanding at any one time could reach \$58.75 billion, consisting of \$25 billion of guarantees and insurance outstanding, resulting in a \$6.25 billion charge against the \$40 billion limitation, and \$33.75 billion (additional commitments) charged at 100 percent against the limitation.

At September 30, 1983, the committed and uncommitted authority to lend, guarantee, and insure was:

(\$ Millions)		
Category		Charge
Loans		\$23,711.8
Guarantees	\$ 6,675.2	
Insurance	7,848.4	
	<u>\$14,523.6 @25%</u>	3,630.9
Committed		<u>27,342.7</u>
Uncommitted		12,657.3
Total Statutory Authority		<u>\$40,000.0</u>

Note 2: Delinquent Loans

Loans with any installments of principal or interest past due 90 days or more are classified as delinquent on the Statement of Financial Condition. The outstanding principal amount of delinquent loans is summarized on a comparative basis (see table below).

Delinquent interest of \$186.0 million has accrued and is carried as a receivable. Of this amount \$29.6 million is delinquent interest on loans purchased (see footnote 4).

The delinquent loans to China were made in 1946 to the then recognized government of China. The delinquent loans to Cuba were made between 1951 and 1958, when a prior government existed.

In FY 1983, Eximbank rescheduled principal and interest installments of \$70.0 million (see footnote 3). At the time of the reschedulings, \$27.5 million (\$22.8 million principal and \$4.7 million interest) was past due 90-days or more.

Country	Total Outstanding Principal	Delinquent Installments September 30, 1983 (\$ thousands)			Delinquent Installments September 30, 1982 (\$ thousands)		
		Principal	Interest	Total	Principal	Interest	Total
Antigua	\$ 750.0	\$ 750.0	\$ 1,062.7	\$ 1,812.7	\$ 750.0	\$ 855.2	\$ 1,605.2
Argentina	59,197.5	8,627.4	2,442.1	11,069.5	2,759.6	986.4	3,746.0
Bolivia	18,724.7	1,582.2	815.5	2,397.7	2,129.0	1,158.3	3,287.3
Brazil	201,482.4	27,577.1	7,730.8	35,307.9	992.9	201.4	1,194.3
China	26,386.0	26,386.0	27,311.2*	53,697.2	26,386.0	26,583.3*	52,969.3
Costa Rica	17,791.0	4,162.1	2,050.2	6,212.3	1,728.8	924.7	2,653.5
Cuba	36,266.6	36,266.6	46,898.3	83,164.9	36,266.6	44,909.6	81,176.2
Dominican Rep.	57,730.6	4,657.0	2,272.2	6,929.2	2,922.2	426.9	3,349.1
Guatemala	6,579.8	983.2	265.1	1,248.3	392.6	84.0	476.6
Honduras	8,568.6	1,611.9	621.5	2,233.4	304.6	127.5	432.1
Iran	-0-	-0-	-0-	-0-	305,718.3	61,863.3	367,581.6
Jamaica	17,691.6	1,100.8	488.6	1,589.4	-0-	-0-	-0-
Mauritania	4,741.7	2,630.1	1,523.2	4,153.3	1,926.3	768.0	2,694.3
Mexico	78,774.1	6,190.4	1,928.6	8,119.0	1,160.2	603.3	1,763.5
Morocco	9,415.0	3,138.3	823.8	3,962.1	1,569.2	476.6	2,045.8
Nicaragua	19,914.4	12,270.6	4,951.4	17,222.0	9,335.0	3,166.0	12,501.0
Nigeria	7,552.7	1,079.0	321.6	1,400.6	1,079.0	283.1	1,362.1
Poland	242,371.7	69,942.1	30,701.8	100,643.9	19,273.3	10,656.7	29,930.0
Romania	87,120.8	13,070.6	555.1	13,625.7	4,954.9	299.5	5,254.4
Sudan	21,295.1	2,813.3	2,936.3	5,749.6	549.3	1,352.7	1,902.0
Tanzania	13,723.6	14.5	1,167.3	1,181.8	-0-	4.0	4.0
Venezuela	29,247.3	7,650.5	871.9	8,522.4	472.6	43.1	515.7
Yugoslavia	360,936.1	41,770.2	244.1	42,014.3	-0-	-0-	-0-
Zaire	485,111.3	101,219.6	50,442.8	151,662.4	39,370.6	18,932.6	58,303.2
Zambia	33,004.8	5,971.9	1,951.5	7,923.4	-0-	.6	.6
Other	59,733.1	2,579.4	2,164.3	4,743.7	5,611.6	2,237.3	7,848.9
Total	\$1,904,110.5	\$384,044.8	\$192,541.9	\$576,586.7	\$465,652.6	\$176,944.1	\$642,596.7

The countries listed above are not necessarily the obligor of the delinquent loans. Some of the loans are to private parties in those countries.

* Eximbank actually ceased to accrue interest on its books in 1960. At that time, interest amounted to \$9,325,442.59.

Note 3: Rescheduled Loans

From time to time Eximbank must extend the repayment date of some or all principal installments of a loan to a new schedule because the obligor or country has encountered temporary financial difficulty and the Directors of Eximbank have determined that providing relief in this manner will aid collectability and enable the obligor ultimately to service the debt.

The previously rescheduled loans which are included in "Current Loans" in the Statement of Financial Condition total \$442.1 million at September 30, 1983 and \$470.1 million at September 30, 1982. Previously rescheduled loans with an aggregate outstanding principal balance of \$751.7 million have principal and interest installments amounting to \$200.4 million which are 90 days or more past due. These loans are included in the delinquent classification on the Statement of Financial Condition. In FY 1983, Eximbank rescheduled principal and interest installments totaling \$70.0 million. The outstanding principal balance under the FY 1983 reschedulings is \$113.4 million.

Some reschedulings include capitalized interest, which has been previously credited to the Reserve for Contingencies and Defaults. At September 30, 1983, the Reserve of \$1,792.4 million includes \$198.7 million of such outstanding capitalized interest of which \$130.6 million is 90 days or more past due. The Reserve also includes past due interest on delinquent loans totaling \$186.0 million.

Note 4: Loans Purchased Pursuant to Eximbank Guarantee Agreements

Claim payments under Eximbank's medium- and short-term guarantee and insurance programs are treated as purchases of assets and recorded as loans receivable when, in the opinion of the Board, the prospects of repayment and other factors, including materiality and country-wide debt consolidation considerations, justifies such treatment.

The \$16,882.6 million of loans receivable at September 30, 1983 includes \$396.7 million of purchased loans and the \$16,565.3 million at September 30, 1982 includes \$288.5 million. As of September 30, 1983, delinquent loan purchases totaled \$118.2 million (\$88.6 million principal and \$29.6 million interest). At September 30, 1983, cumulative purchases of loan installments totaled \$452.9 million and cumulative repayments totaled \$56.2 million.

Loan purchases as of FY 1983, and FY 1982 are summarized in the table below. Repayments in FY 1983 totaled \$11.9 million and \$13.8 million in FY 1982.

Country	(\$ Thousands)	
	FY 1983 Loan Purchases	FY 1982 Loan Purchases
Argentina	\$ 1,480.2	\$ 1,019.2
Brazil	6,584.6	-0-
Costa Rica	2,789.7	428.6
Ecuador	1,012.9	-0-
El Salvador	-0-	706.7
Honduras	739.4	304.6
Mexico	74,553.6	-0-
Nicaragua	1,069.1	1,946.6
Peru	414.7	-0-
Senegal	678.3	958.3
Sudan	447.7	818.0
Togo	-0-	655.4
Turkey	5,632.6	10,768.0
Yugoslavia	6.5	-0-
Zaire	23,240.5	28,282.6
Zambia	1,385.0	-0-
Total	<u>\$120,034.8</u>	<u>\$ 45,888.0</u>

Note 5: Commitments and Contingent Liabilities

Eximbank's worldwide commitments, shown below, include contingent liabilities totaling \$14,523.6 million at September 30, 1983, and \$12,153.0 million at September 30, 1982.

	(\$ Millions)	
	FY 1983	FY 1982
Outstanding Loans	\$16,882.6	\$16,565.3
Undisbursed Loans	6,829.2	9,445.8
Guarantees Contingent Liability	6,675.2	6,210.3
FCIA Insurance		
Contingent Liability	7,848.4	5,942.7
Total	<u>\$38,235.4</u>	<u>\$38,164.1</u>

In FY 1980, Eximbank and the Private Export Funding Corporation (PEFCO) agreed to share in providing a total of \$1,350.0 million of U.S. export financing for 16 export credits at current fixed rates of interest quoted by Eximbank to foreign borrowers. Eximbank's share of the total is \$251 million and PEFCO's share is \$1,099.0 million. Under the arrangement, Eximbank will meet any shortfall or retain any excess between the borrowers' interest payments and PEFCO's interest charges.

During FY 1983 disbursements totaling \$157.6 million were made in connection with credits under the arrangement. PEFCO's share of the total is \$108.6 million and Eximbank's is \$49.0 million. To reimburse Eximbank for the disbursements made for their account, PEFCO borrowed and transferred \$110 million to Eximbank in October 1982.

In accordance with the arrangement, the interest rate charged by PEFCO on their share of the disbursements was determined by their borrowing cost at the time of borrowing and for this \$110 million was 12.85 percent. The weighted average interest rate to the foreign borrowers on the \$110 million of disbursements is 8.414 percent. The weighted average cost of Eximbank's borrowings from the FFB during the quarter at the time of the reimbursement was 12.67 percent.

Eximbank issues export credit insurance in cooperation with the Foreign Credit Insurance Association (FCIA). Prior to October 1, 1983, Eximbank insured the defined political risks under the policies and FCIA insured the commercial risk of default up to certain specified stop-loss amounts, with Exim reinsuring losses above such amounts. Beginning October 1, 1983, Eximbank and FCIA entered into a new contractual agreement under which Eximbank reinsured all of the commercial risks in addition to insuring political risks, agreed to cover any operation expenses in excess of premiums, and became a majority on the FCIA Board of Directors. Since, under the prior arrangement, the stop-loss for FCIA was \$14.1 million in FY 1983, the new arrangement does not significantly increase Eximbank's exposure.

Note 6: Maturity Schedule of Outstanding Loans Receivable:

As of September 30, 1983, about 64.5 percent of the outstanding loans receivable balance of \$16,882.6 million is projected to be due over the next five years and the remaining 35.5 percent is estimated to be due thereafter, as indicated below:

<u>Fiscal Years of Maturities</u>	<u>Amount (\$ Millions)</u>	<u>Percent of Total</u>
1984	\$ 2,121.3	12.6%
1985	2,219.0	13.1
1986	2,263.5	13.4
1987	2,021.6	12.0
1988	2,261.2	13.4
	<u>10,886.6</u>	<u>64.5</u>
1989-2006	5,996.0	35.5
	<u>\$16,882.6</u>	<u>100.0%</u>

In addition to the \$16,882.6 million of outstanding loans there are undisbursed loans totaling \$6,829.2 million most of which are expected to be disbursed over the next 3-5 years.

Note 7: Losses, Claims and Reserve for Contingencies and Defaults

In February 1982, Laker Airways Limited (Laker) declared bankruptcy. At that date, Eximbank's total outstanding exposure on loans to Laker for five DC-10-30 aircraft totalled \$147.2 million (a \$86.0 million Eximbank direct loan and a \$61.2 million guaranteed loan made by the Private Export Funding Corporation (PEFCO)).

The Eximbank exposure was secured by chattel mortgages on the five DC-10-30 aircraft. Eximbank has taken possession of the aircraft. Under the terms of its guarantee, the Bank paid PEFCO \$15.7 million (\$12.2 million principal and \$3.5 million interest) for delinquent installments. PEFCO requested acceleration of the debt under the terms of its loan and guarantee agreements. In lieu of paying PEFCO immediately for future installments under the loan, Eximbank gave PEFCO a promissory note for \$48.9 million at the same 11 percent rate with the same installment dates as carried by PEFCO's loan to Laker.

The Board of Directors approved a \$50 million writedown of the asset, based on the approximate market value of the aircraft at the end of 1982. The writedown was applied proportionately between the Eximbank loan and the guarantee (\$29.2 million to the loan and \$20.8 million to the guarantee).

Losses, claim payments and recoveries for FY 1983 and FY 1982 are:

	(\$ Thousands)	
	<u>FY 1983</u>	<u>FY 1982</u>
Loans written off	\$ 5,421.0	\$32,331.4
Loan recoveries	(15.1)	-0-
Guarantee claims paid	17,998.4	25,039.9
Guarantee recoveries	(13,093.9)	(2,614.7)
Insurance claims paid	80,264.5	8,639.5
Insurance recoveries	(70,914.3)	(5,714.0)
Claims Paid, net of recoveries	<u>\$19,660.6</u>	<u>\$57,682.1</u>

The risk to Eximbank from potential losses and claims is not susceptible to accurate measurement because of the unpredictable nature of future worldwide economic and political conditions. Eximbank's entire Reserve is available to cover such losses, claims and contingencies. Eximbank has a Reserve for Contingencies and Defaults of \$1,792.4 million which is 10.6 percent of outstanding loans and 4.7 percent of world commitments. This Reserve, coupled with Eximbank's \$1.0 billion Capital, amounts to 16.5 percent of outstanding loans and 7.3 percent of world commitments. Included in the reserve is accumulated income from delinquent interest and delinquent capitalized interest of \$316.6 million at September 30, 1983 and \$221.0 million at September 30, 1982.

Note 8: Borrowings from the U.S. Treasury and the Federal Financing Bank

Eximbank does not receive any appropriated funds. It has authority, under its Act, to borrow directly from the U.S. Treasury and to have outstanding at any one time up to \$6 billion of such borrowings. Eximbank avails itself of this authority for its short-term needs on a daily basis at a 91-day Treasury bill rate. Excess cash is used to reduce these borrowings on a daily basis. The average rate for such short-term borrowings, for the quarter ending September 30, 1983, was 9.71 percent.

Since May 1975, Eximbank has borrowed from the Federal Financing Bank (FFB) for its medium- and long-term needs. During the period ending September 30, 1983, Eximbank borrowed the following from the FFB:

Date	Amount (\$ Millions)	Rate	Final Maturity
12/01/82	\$ 369.0	10.770%	12/01/92
12/01/82	223.0	10.500	12/01/92
3/01/83	375.0	10.263	3/01/93
3/01/83	55.0	9.918	3/01/93
6/01/83	376.0	10.789	6/01/93
6/01/83	261.0	10.591	6/01/93
9/01/83	383.0	11.927	9/01/93
9/01/83	183.0	11.743	9/01/93

As Eximbank is usually a net borrower of funds, net short-term borrowings from the U.S. Treasury are repaid quarterly by borrowing from the FFB on a medium- and long-term basis at a U.S. Government agency borrowing rate appropriate to the term of the borrowing.

Note 9: United States Government Investment in Eximbank

The investment of the U.S. Government in Eximbank consists of the following:

	September 30, 1983 (\$ millions)	September 30, 1982 (\$ millions)
Capital stock held by U.S. Treasury	\$ 1,000.0	\$ 1,000.0
Reserve for Contin- gencies and Defaults	1,792.4	2,039.7
Notes Payable to Fed- eral Financing Bank	14,675.9	13,953.9
Notes Payable to U.S. Treasury	-0-	4.4
Total	<u>\$17,468.3</u>	<u>\$16,998.0</u>

No dividend was declared for FY 1983.

28210

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U S GENERAL ACCOUNTING OFFICE**



THIRD CLASS